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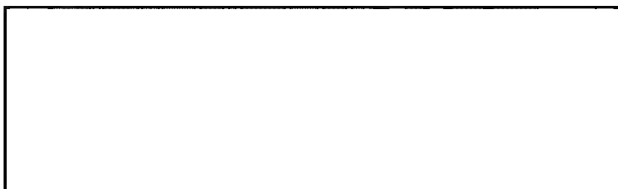
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ARGENTINA: Peron's presence has resulted in a marked stiffening in the government's attitude toward extremist groups.

In his strongest speech since taking office, President Campora called for stability and unity and lashed out at those he accused of taking the law into their own hands. To put the President's tough words into action, the government has announced that it will forcefully evict the young militants and employees who have occupied many government offices. The decision diverges sharply from the vacillation that characterized Campora's initial response, and probably reflects Peron's instructions for dealing with the threat of anarchy.

In his address to the nation, Campora spoke of Peron's return as "indispensable" and admitted obliquely that his first month in power had lacked direction. Campora reportedly came under fire earlier from Peron for not taking a stronger hand in dealing with the extremists, many of whom are loosely attached to the broad Peronist movement. Campora paid repeated homage to Peron, referring to him as "our leader," and acknowledged that Argentines now have the privilege of following Peron's "precise directives."

The government's strong stand suggests that there will be a determined drive to suppress extremism both inside and outside the Peronist movement. There is no sign of a decline in extremist violence, however. So far this week terrorists have assassinated a former Peronist congressman and kidnaped an Italian banker and an Argentine business executive. (Yesterday, six more people were kidnaped in Cordoba.)



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JAPAN-USSR: Moscow is continuing to court Japanese involvement in the Yakutsk natural gas project, following the signing of a letter of intent with US firms. Japanese businessmen were upset by the action of the US companies, and even feared that they would be excluded from the project. During recent talks with Japanese industrial leaders, the Soviets indicated that they still want Japanese participation and again claimed that the Japanese would be allowed to approve the choice of US firms that will be involved in the project. Moscow's attempts to encourage continued US-Japanese competition for involvement in the development of Yakutsk should serve to strengthen Moscow's bargaining position, once detailed talks on the Yakutsk project begin. Although the Soviets consider Japanese technical and financial involvement in the project useful, US technical know-how is much more essential. [REDACTED]

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JAPAN: The dollar continues to maintain its strong position in Tokyo with the Bank of Japan selling about \$300 million during the past week to maintain the yen at about a 16-percent appreciation above the Smithsonian rate. The strong dollar demand stems mainly from continued large capital outflows, combined with a reduced trade surplus. Moderate central bank intervention is designed to prevent erratic swings in the yen-dollar exchange rate, and also to prevent a depreciation of the yen at a time when most European currencies are gaining against the dollar. The dollar probably will begin to lose strength against the yen toward the end of the year, however, particularly since long-term capital outflows are likely to decline somewhat from their very high current levels. [REDACTED]

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CHINA-MALAYSIA: Peking recently added Malaysia to its select list of rice customers, indicating an interest in improving economic relations with Kuala Lumpur. China will sell 100,000 tons of rice, valued at about \$29 million, in exchange for 100,000 tons of Malaysian rubber worth \$41 million. China will settle the difference largely in hard currency. The new agreement not only will provide Malaysia with much-needed rice, but it will also help reverse the usual annual trade surplus which has favored China. For the past two years, the deficit has averaged \$30 million, which Malaysia has settled in hard currency.

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